

# City of Poughkeepsie Tax Exemptions

**Turning Developer Incentives into Return-On-Investment for Future Prosperity**

## **Common Council Review**

Industrial Development Agency

City of Poughkeepsie, NY

Presented September 21, 2020

Report Posted September 24, 2020

## Used Properly Tax Exemption Programs Can Accelerate Poughkeepsie Transformation

Balance must be achieved between being developer friendly and affordability of the city for all, where everyone contributes a fair share to the tax base in a reasonable amount of time.

**When tax exemptions are extended with appropriate terms and duration, they have a positive effect that enables Poughkeepsie to:**

- Grow the **tax base** as a **return-on-investment** through short-term tax exemptions for additional gains within a short timeframe
- Build **neighborhoods** and **economic hotspots** to drive and maintain positive change momentum
- Create and retain **jobs** including location-independent virtual work
- Foster **economic activity** and attract local business
- Increase **housing** availability and affordability for both tenants and homeowners

**However, when tax exemptions are extreme in amount and duration, they can:**

- Reduce capacity of Poughkeepsie's **scarce resources** to provide basic services
- Unfairly **overburden** other City taxpayers and **decrease affordability** for both residents and businesses
- Require sale of valuable City assets (land/buildings) without regard to **long-term tax revenue loss**
- Cause **deferment of maintenance** and repairs that become more costly over time and require borrowing

# Poughkeepsie Has 22 Active Tax Exemptions Projects Granted Under 3 Statutes

IDAs (City and County) are not the only programs that allow municipalities to grant tax exemptions.

## IDA Tax Exemptions

- Sales Tax on Construction Costs
- Mortgage Tax
- PILOTs (Payment in Lieu of Taxes)
  - City Property Tax
  - School Tax
  - County Tax
  - Library Tax
- IDA PILOT Payment Structures
  - Standard pre-defined exemption schedules - % of taxes based on the property assessment
  - Customized Deviations
    - % of revenue or % of income
    - Fixed dollar amount/year
    - Change in timing of annual % exemptions
    - Mix of fixed dollars and % of revenue or income

## City Government 485—A Tax Exemptions\*

- PILOTs (Payment in Lieu of Taxes)
  - City Property Tax
  - School Tax
  - County Tax
  - Library Tax
- Payment Structure
  - No Taxes paid on incremental new taxes for first 8 years
  - Taxes paid on incremental new taxes:
    - 20% Year 9
    - 40% Year 10
    - 60% Year 11
    - 80% Year 12
  - Intended for conversion of existing facility to mixed-use (commercial & residential)

## City Government 581—A “Like” Tax Exemptions

- Tax exemptions program enabling real property tax exemption where 20% or more or tenants have housing affordability income limit requirements
- Allows low-income tax credits based on Area Median Income (AMI)
  - City of Poughkeepsie Median Income (Family of Four) = \$42,296\*\*
  - Dutchess County Area Median Income from HUD Effective 04/2020 = \$102,300
- Note - Property value assessments can have a major impact on the amount of taxes paid. Commercial project assessments are often determined based on self-reported income from developers. Going forward the IDA will require submission of bank/lender 3rd party appraisals and actual rent rolls to supplement the information provided to the City.

\*485—A Tax Exemption program has been rescinded by the Common Council for the City Taxing Jurisdiction

\*\* Sources: 2020 HUD data US Census datd provided by Hudson River Housing

# Poughkeepsie Has Entered Stage II Tax Exemption Maturity

In the past, to jumpstart revitalization, the City provided large developer incentives and concessions in exchange for small returns for up to 99 years. The City is now in Stage II where it can achieve and should demand more equitable investment-return balance to fund socio-economic stability on its journey toward Citywide transformation for all.

## The Three Stages of Tax Exemption Maturity

Key Characteristics	Stage I – Survival/Revival	Stage II – Momentum	Stage III – Transformation
<b>Poughkeepsie Timeframe</b>	<b>Past (Year Granted - 1986-2017)</b>	<b>Today (Year Granted - 2018-Present)–Current IDA</b>	<b>Around the Corner</b>
<b>City Identity / Reputation</b>	Struggling City	City On the Mend / On the Move	Turnaround Success Story / The Future
<b>Developer Interest / Activity</b>	Spits & Starts / Comes & Goes	Sustained and Growing	Intense with High Acceleration
<b>City Concessions (\$ &amp; Yrs)</b>	Delayed Revenue for up to 99 Years	Deferred Revenue for 10-12 Years	Large Tax Base Growth
<b>Developer / City Balance</b>	In Developer Favor	Developer / City Balance (Smaller Projects)	Maintain Balance (Big Projects)
<b>Primary Property Use</b>	Unmixed Use / Unmixed Income	Moving toward Mixed Use / Mixed Income	Mixed Use / Mixed Income
<b>Property Desirability</b>	Best Properties	Best High-Potential & Up-Coming Neighborhoods	Large Area Transformation Projects
<b>Scale of Change</b>	Organic / Incremental / Scattered	Planned, Focused Hotspots & Neighborhoods	Citywide Integration / Unification
<b>Jobs and Wages</b>	Large Number of Low-Wage	Local Jobs Flat / Virtual Jobs Growing	Local Jobs Growing / New Industries
<b>Urban Density</b>	Low	Medium	High
<b>City Diversity</b>	High	High (At Risk)	High
<b>FROM NOW ON ...</b>	NO!	YES!!	DEFINITELY!!!

Source: City of Poughkeepsie, NY IDA

# The City Now Has Accelerating Interest from New Developers and Residents

More development of small-medium sized projects are already underway, some of which are not seeking any tax exemption investments at all. The City should begin proactively pursuing larger transformative projects now to prepare and accelerate its timeline into Stage III.

## The Three Stages of Tax Exemption Maturity – City of Poughkeepsie Development Projects

Type	Stage I – Survival/Revival	Stage II – Momentum		Stage III - Transformation
	Past (Exemptions Granted 1986-2017)	Today (Exemptions Granted 2018 To Date)	Today - Potential	Around the Corner
<b>City IDA</b>	<ul style="list-style-type: none"> <li>Woodside Associates (168 Academy St)</li> <li>Eastman-Bixby (22 Montgomery St)</li> <li>400 Main Street (417-449 Main St)</li> <li>Shadows/Grandview (176 &amp; 200 Rinaldi Blvd)</li> <li>Water Club/Pura 14 (36 Pine &amp; Laurel St)</li> </ul>	<u>Current City IDA</u> <ul style="list-style-type: none"> <li>Maple Street (472 Maple St)</li> <li>CNN Spruce (110-114 Delafield St)</li> <li>Opportunity Poughkeepsie/Hive (33-35 Academy St)</li> <li>387 Main Street (387-397 Main St)</li> <li>School House Apartments (160 Union St)</li> </ul>	<ul style="list-style-type: none"> <li>35 Main St</li> <li>147 &amp; 166 Union</li> <li>Pelton Manor</li> <li>Perlmutter Building</li> <li>The Last Chance</li> <li>Wallace Building</li> <li>Market St Office Bldg</li> <li>MPI</li> </ul>	Examples from Other Cities: <ul style="list-style-type: none"> <li>White Plains, NY – City Center</li> <li>New Rochelle, NY – New Roc City</li> <li>San Antonio, TX – The Pearl</li> <li>Albany, NY – Biotech Industry</li> <li>Stamford, CT – Hedge Fund Industry</li> </ul>
<b>County IDA</b>	<ul style="list-style-type: none"> <li>Grand Hotel (40 Civic Center Plz)</li> <li>Health Quest (21 Reade Pl)</li> </ul>	N/A	N/A	N/A
<b>485-A</b>	<ul style="list-style-type: none"> <li>Cardinal Court Cannon Street (40 Cannon St)</li> <li>Underwear Factory (8 North Cherry St)</li> <li>400 Maple Street</li> <li>337 Main Street</li> <li>12 South Hamilton</li> </ul>	<u>Current City Administration – Stage 1 “Like”</u> <ul style="list-style-type: none"> <li>One Dutchess Ave (Multiple Addresses)*</li> </ul>	Rescinded for City	Rescinded for City
<b>581-A</b>	<ul style="list-style-type: none"> <li>Highbridge Gardens (140-150 Hudson Ave)</li> <li>Poughkeepsie Commons (130 Hudson Ave)</li> </ul> <u>Current Administration and Common Council</u> <ul style="list-style-type: none"> <li>Queens City Lofts (178 Main St)</li> </ul>	<u>Current Administration / Common Council – Stage 1 “Like”</u> <ul style="list-style-type: none"> <li>Crannell Square (35 Catherine Street)</li> </ul>	<ul style="list-style-type: none"> <li>78 Taylor Ave</li> </ul>	

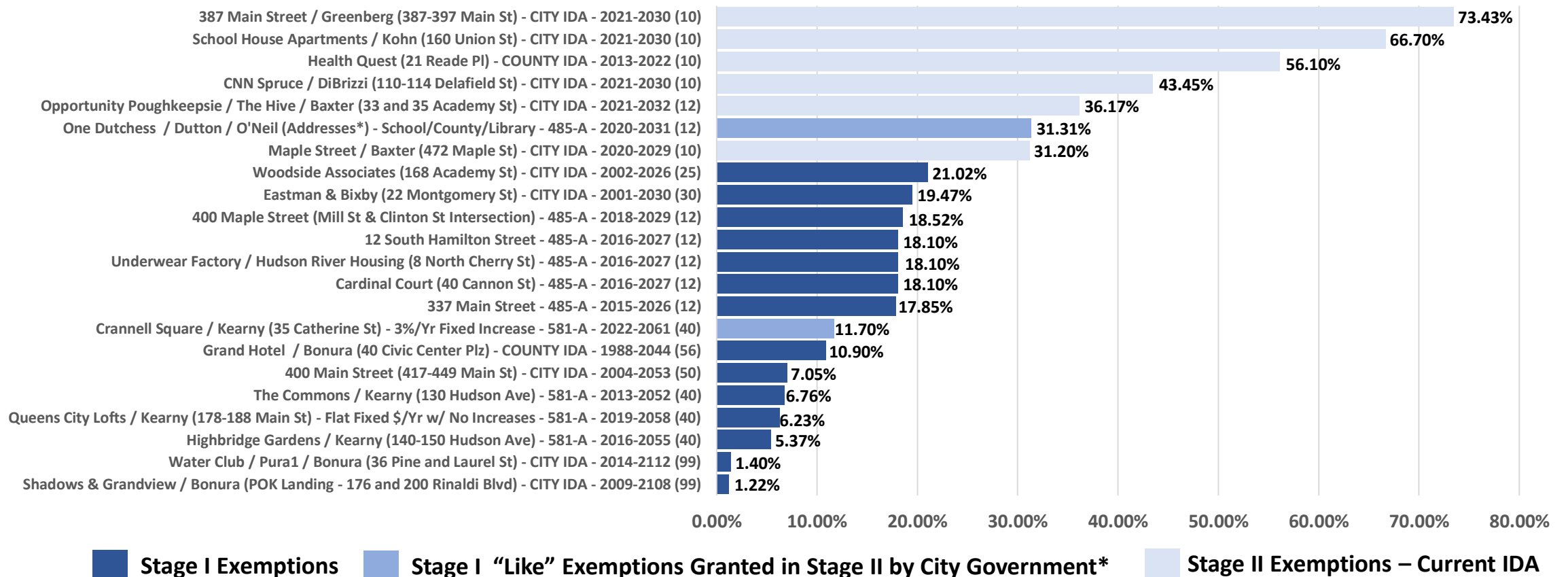
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# Tax Exemption Investments

# Total Percent Taxes Paid During Exemption Periods Has Increased Dramatically

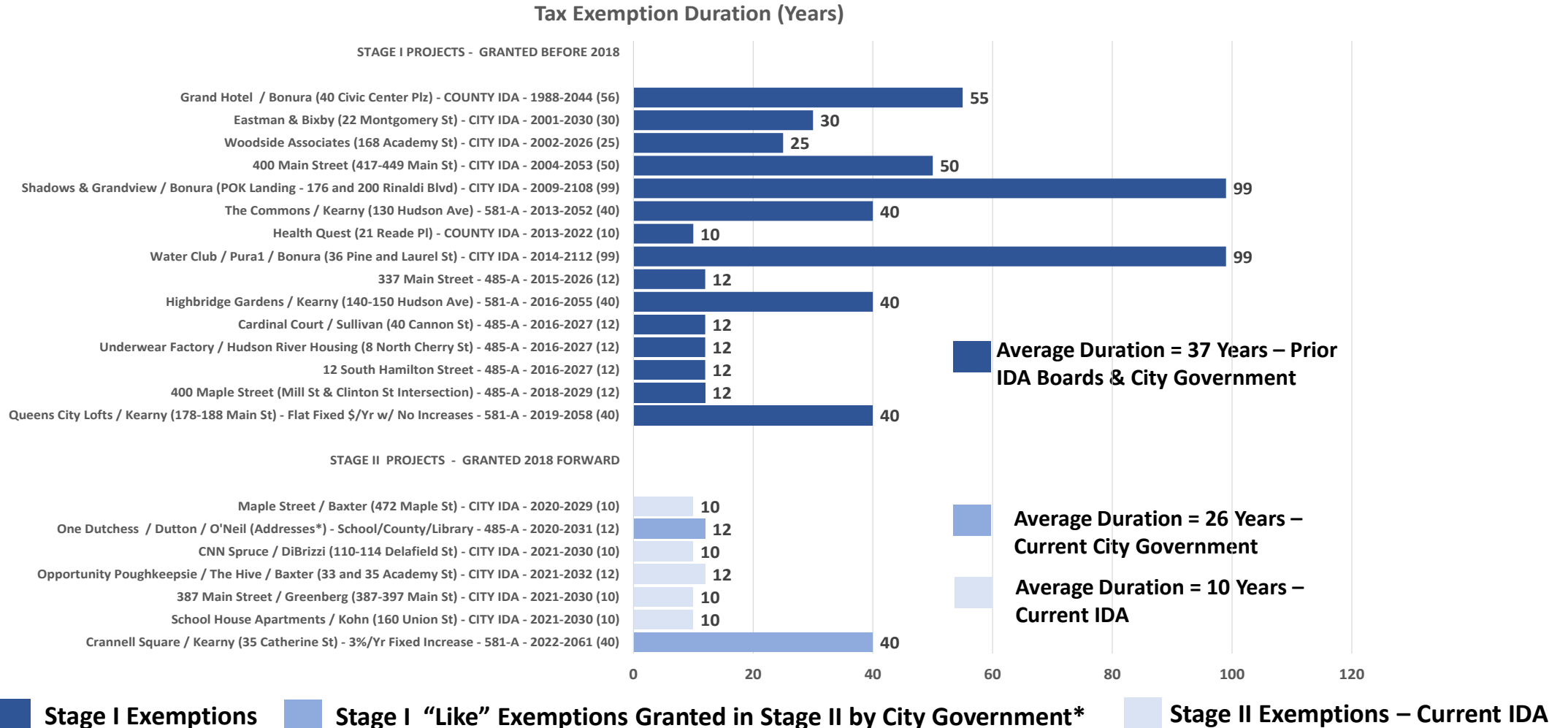
Based on contractual terms given by the City and IDAs, some early projects will pay only a small fraction of full taxes over the full tax exemption duration. However, as the City has now entered Stage II, later projects now pay a far greater share of full taxes, with only one notable exception—Crannell Square.

Percent of Total Taxes Paid Based on Assessed Value Over Full Duration of Tax Exemptions



# The Duration of Tax Exemptions is the Primary Driver of the Size of City Investment

Until recently, tax exemptions were extended well beyond the generally acceptable and reasonable strategic time horizon—many from 30 years to almost a century.



Source: City of Poughkeepsie, NY IDA

09/24/20

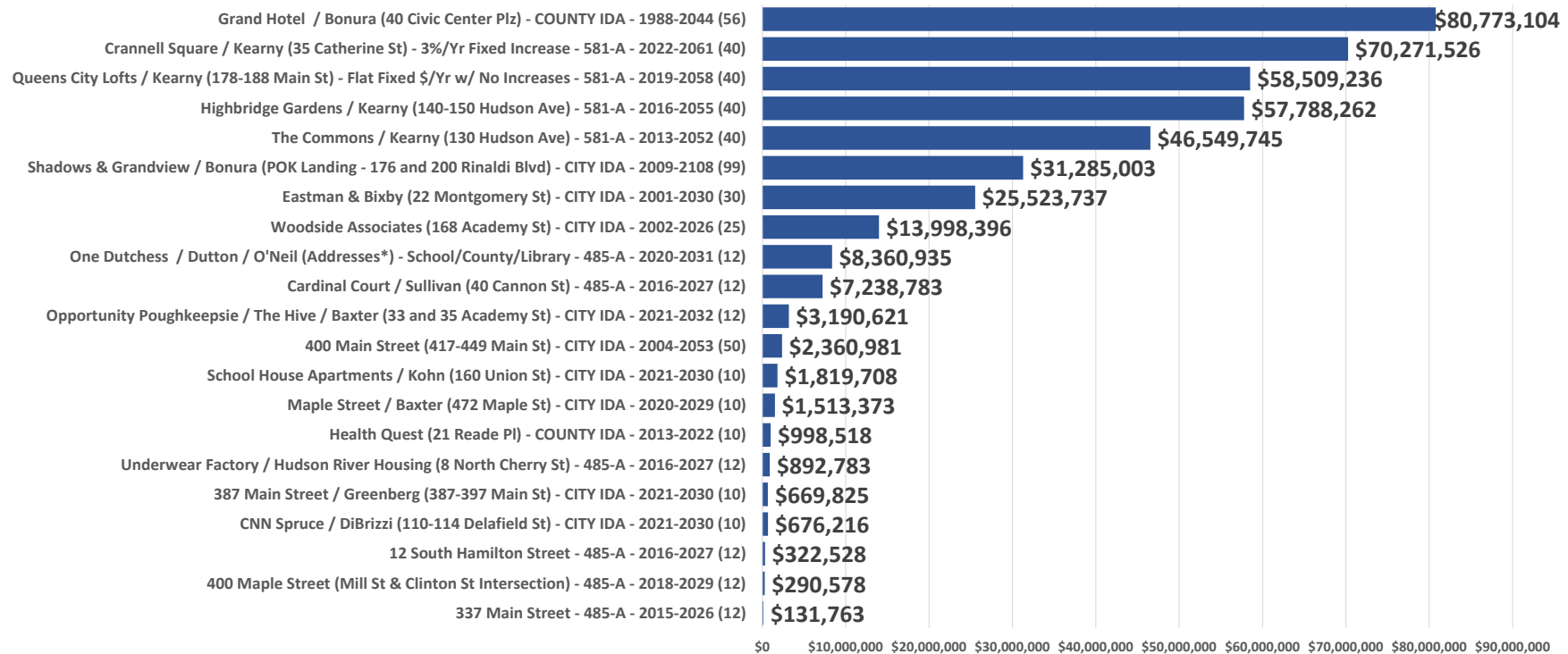
\* City Government = City Administration and Common Council



# The City Has Made Substantial Investment in 21 Active Projects Totaling \$416M

The chart below represents the difference (delta) between what tax exempt projects have agreed to pay cumulatively in total versus what another project would have paid at full market rate assessed value defined as the Assessed Value multiplied by the Non-Homestead Tax rate – In today’s dollars.\* The duration and percent of taxes paid are the primary drivers of the total size of the City’s investment. The majority of this investment, \$345M (83%), has been invested with 2 developers for 6 projects, excluding the Water Club. The remainder, \$71M (17%) was invested with 17 developers for 15 projects.

**Present Value of Tax Exemption Investments by Project**

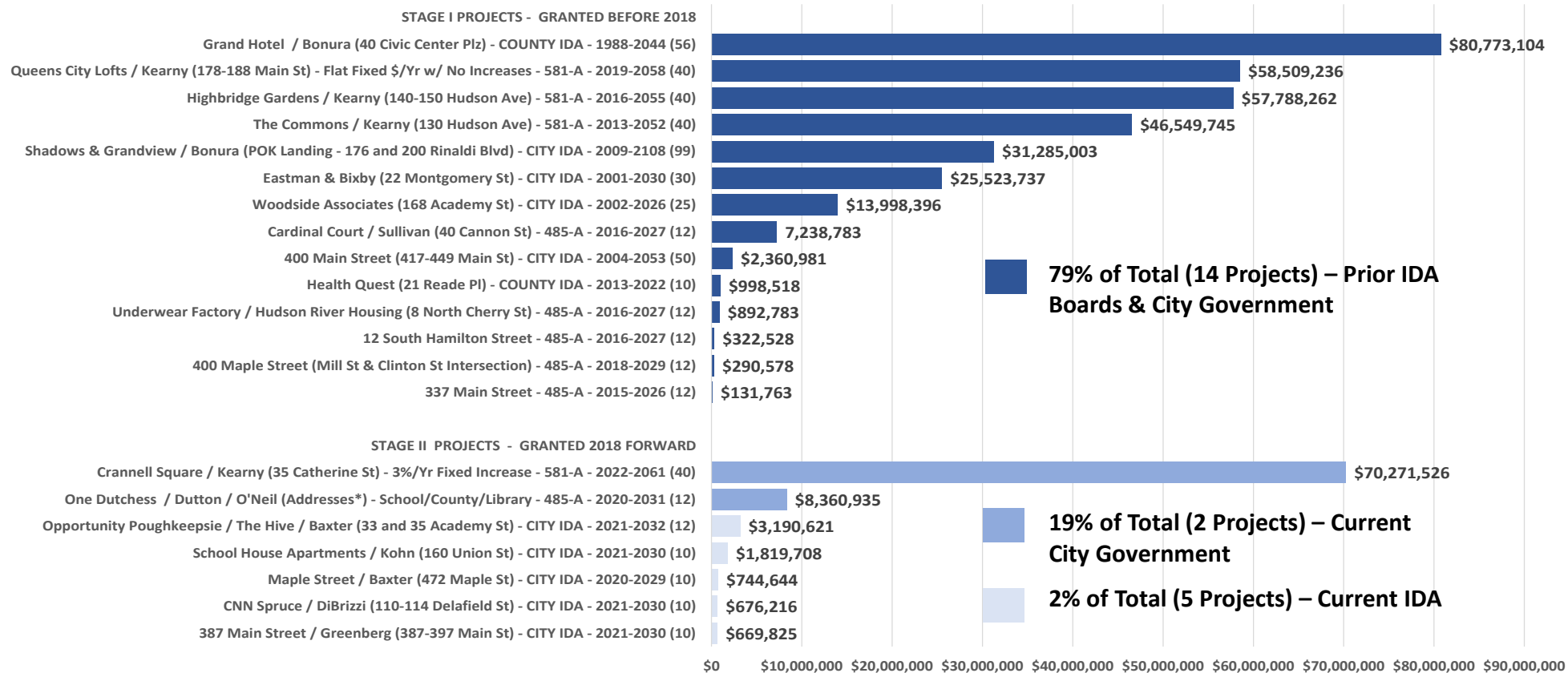


\* Based on Assumptions reviewed with City Administrator and Annual Inflation Percentages from Federal Government (See APPENDIX E – Page 35 for detail)

# Projects Granted Exemptions Before 2018 Account for ~ 80% of the Total Investment

In Stage II, the current IDA tax exemption projects contributed 2% of the City’s investment with 5 projects—we are on the right track and heading in the right direction.

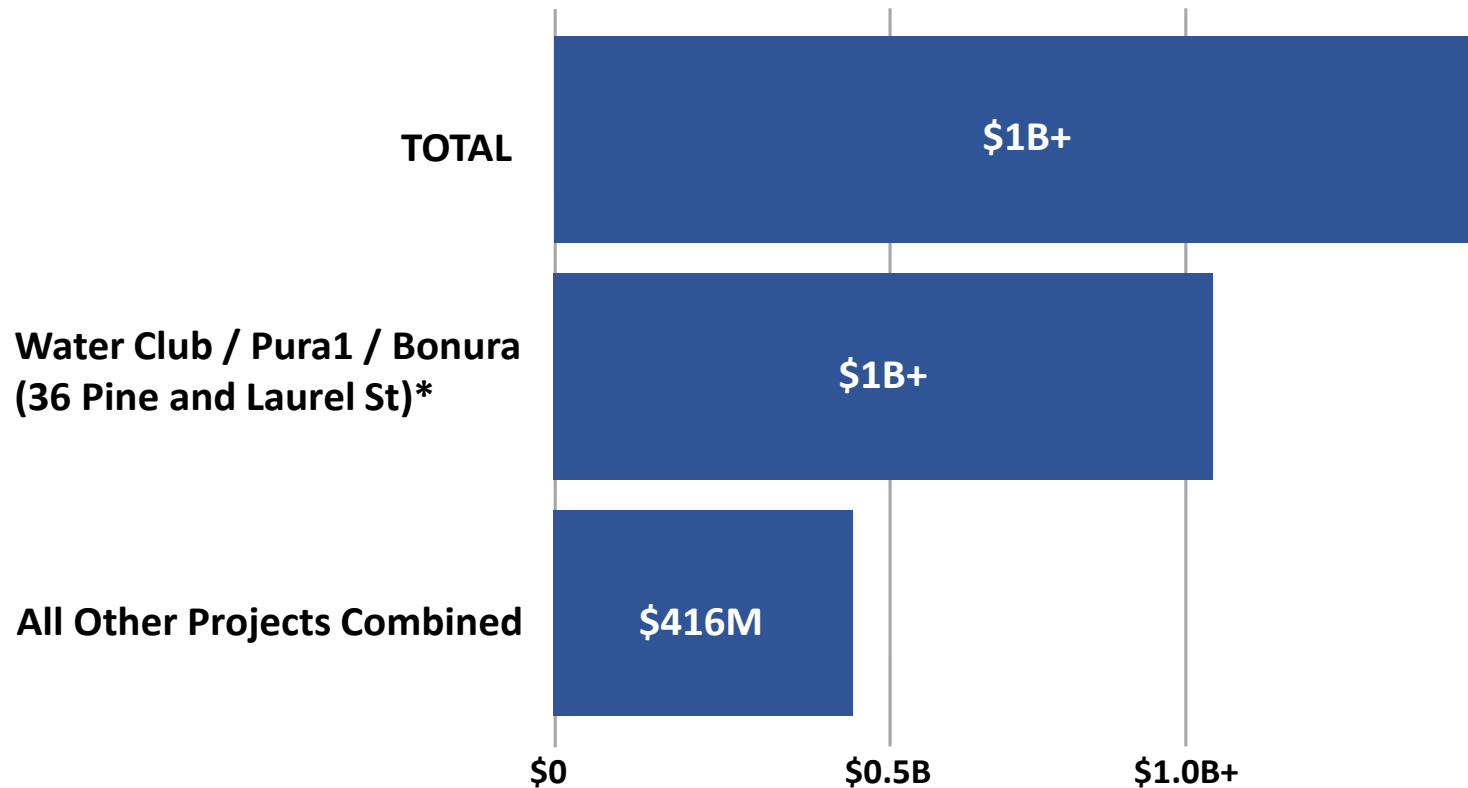
Present Value of City Development Projects - Phase I (Granted Before 2018) Vs Phase II (Granted After 2018)\*



# The Water Club is a Huge PILOT Outlier Paying Only 2% of Revenue for 99 Years

The excessive duration and low PILOT revenue percentage paid drives the cost of this tax exemption to an astronomical amount of well over a billion dollars, when compounded for almost a century. This tax arrangement is unfair to the City's citizens and other taxpayers, forced to subsidize this level of developer investment.

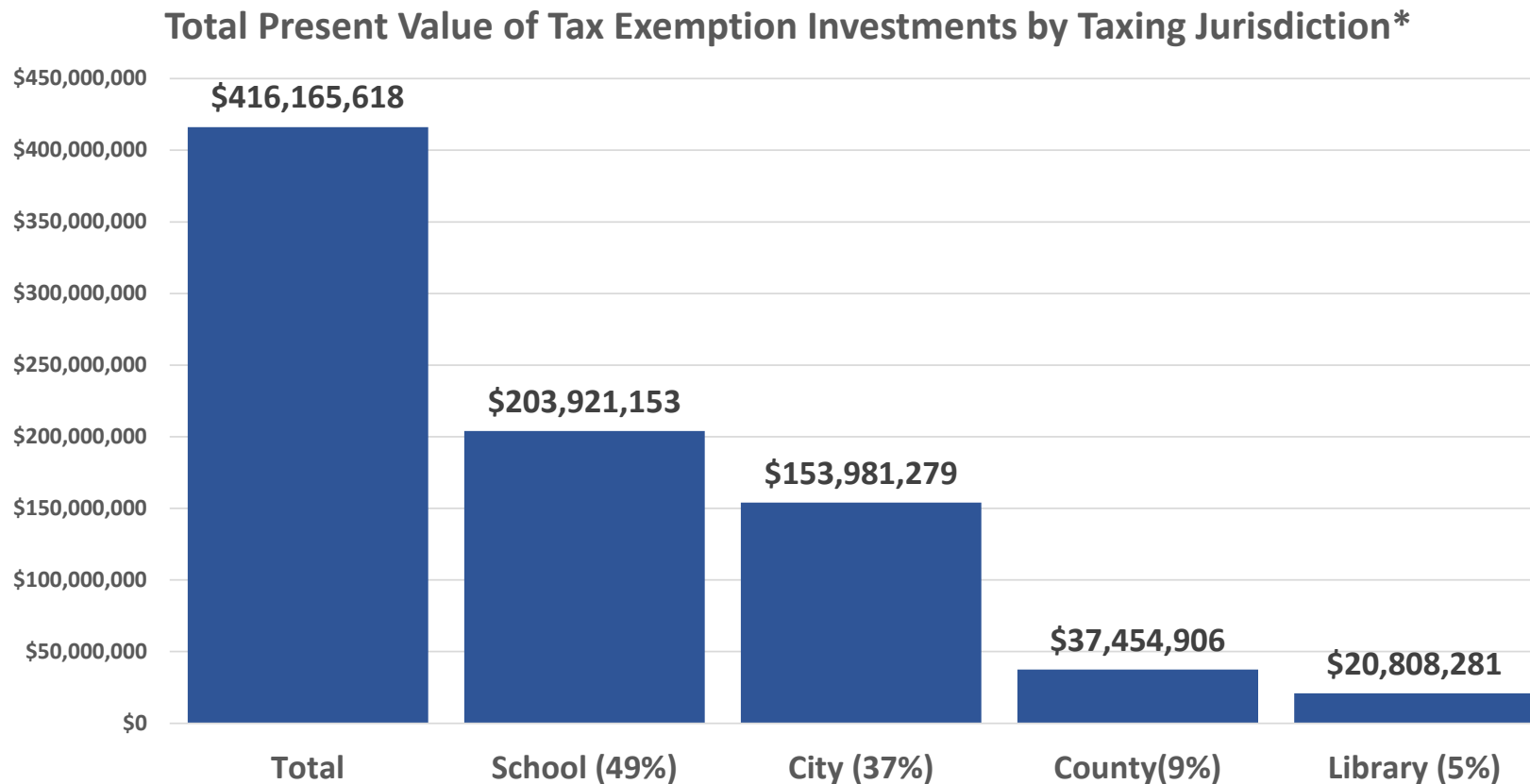
**Total Present Value of Tax Exemption Investments**



\* Water Club projection is \$6.5B.

# City School District Contributes the Majority of the \$416M Tax Exemption Investment

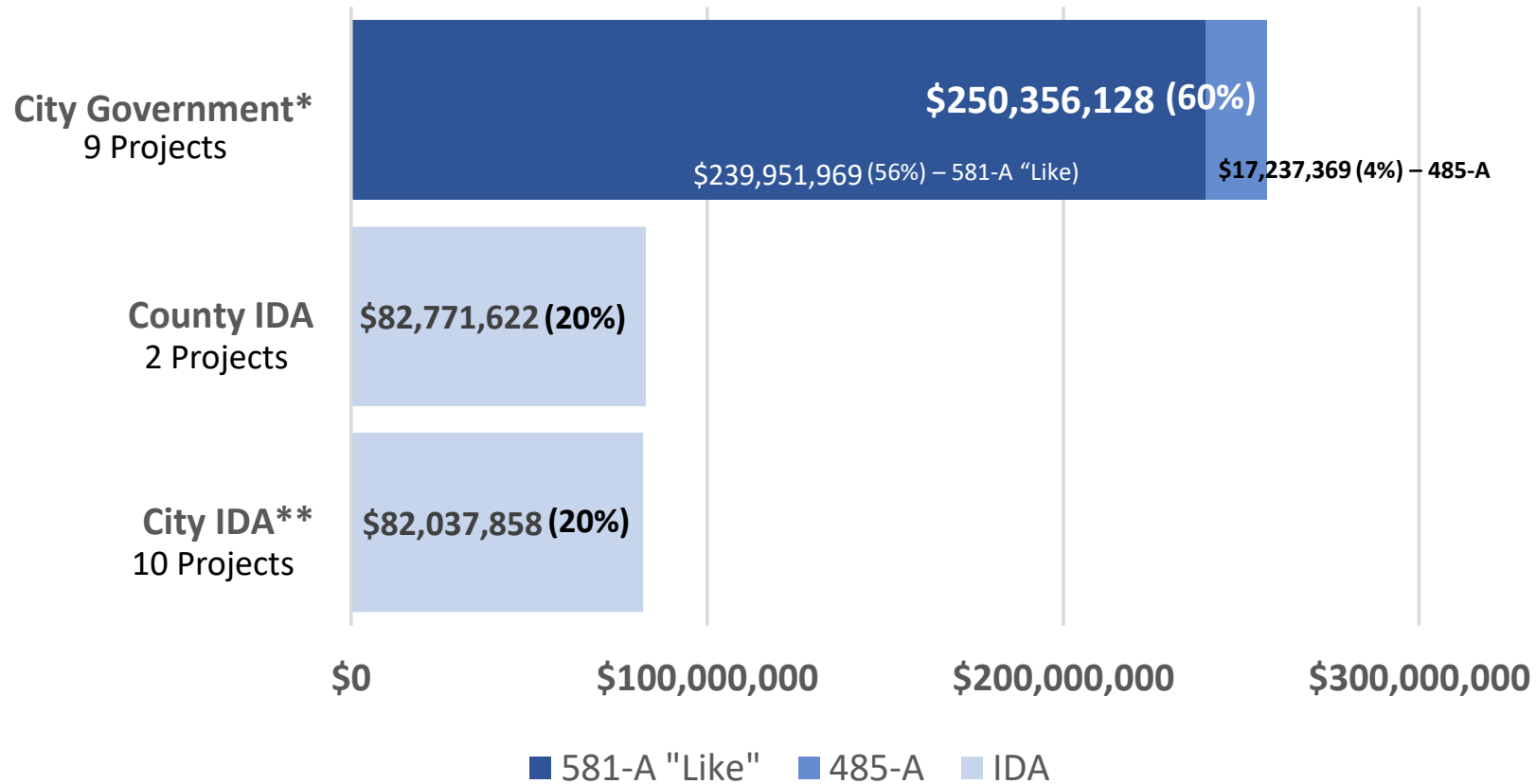
Tax exemption investments include contributions from all taxing jurisdictions. The School District contributes almost half of these investments—over \$200M, which strains an already distressed school system struggling to provide high quality education to the City’s children. Given this sacrifice, all tax exemptions should be carefully considered and well justified.



# IDs and City Government Both Grant Tax Exemptions

Excluding the Water Club, 60% of tax exemption dollars have been granted by City Government\*, 20% by the County IDA and 20% by the City IDA.

City of Poughkeepsie Tax Exemption Projects by Type of Exemption by Grantor



\* City Government = Administration and Common Council

\*\* Water Club not included in City IDA Totals

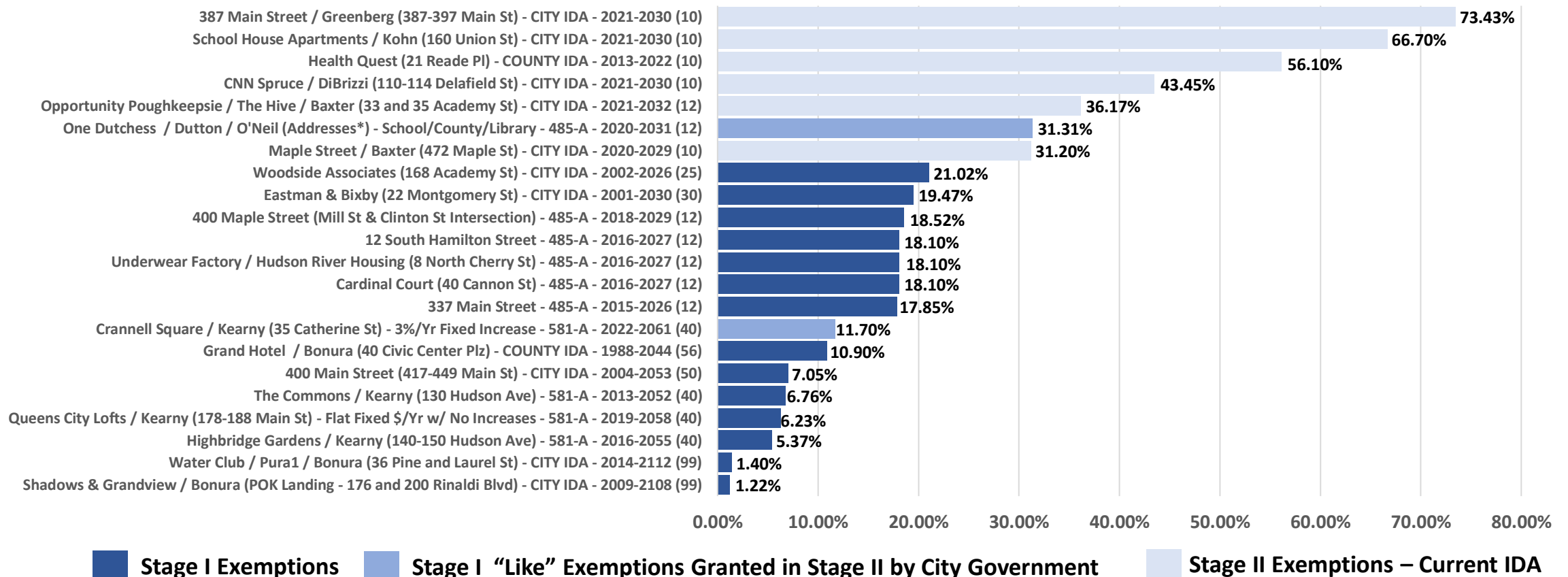
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# Investment Returns

# The Portion of Full Taxes Collected on Each Project Has Added to the Tax Base

Over time, tax exempt projects have indeed added to the tax base over the duration of the tax exemptions. Going forward in Stage II and into Stage III, the City should structure tax exemptions in the duration in the 10-12 year range with a more reasonable, balanced, fair percent of taxes paid to ease the burden on other tax payers and to fund the City's future.

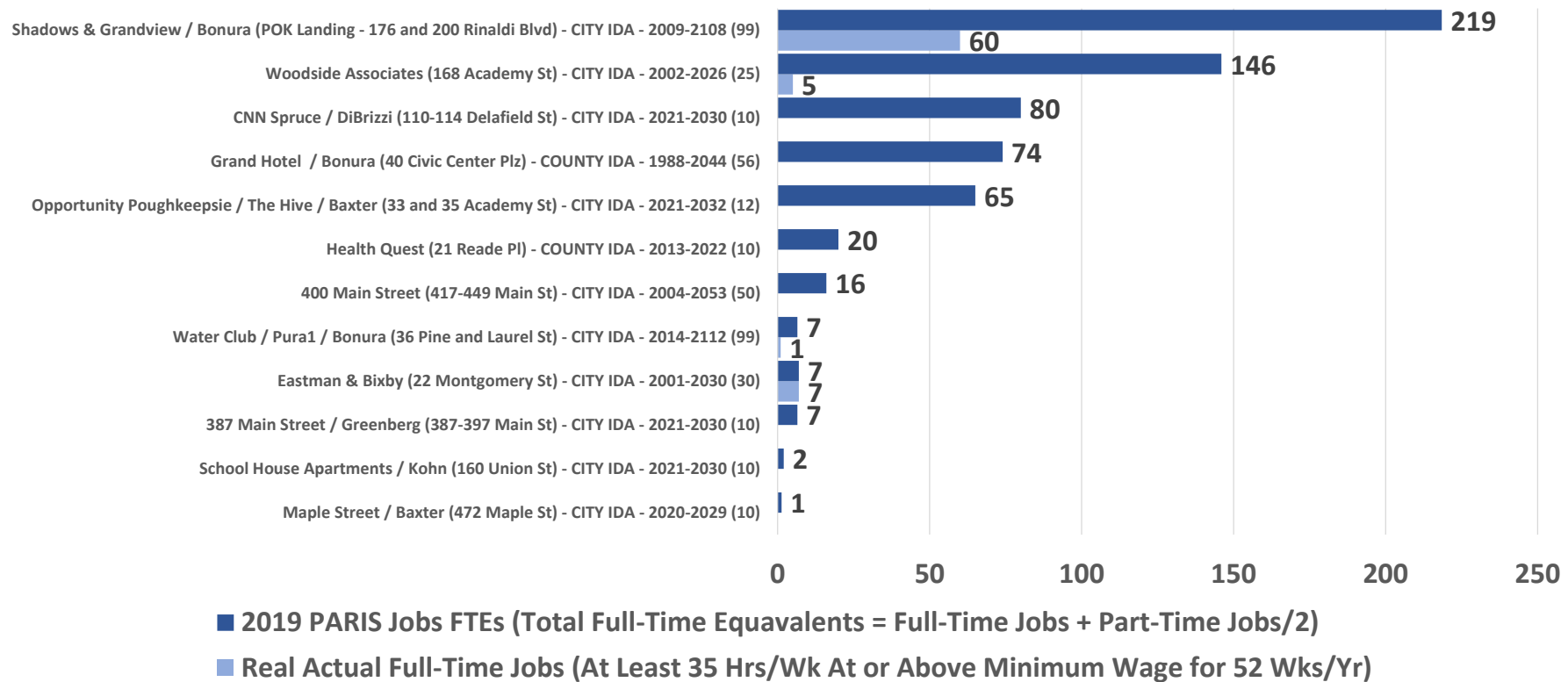
Percent of Total Taxes Paid Based on Assessed Value Over Full Duration of Tax Exemptions



# IDA PILOTS Have Added or Retained Over 640 Jobs

IDA projects are intended to create and/or retain jobs. 485-A and 581-A projects are not required to produce or report jobs and therefore those numbers are unavailable. The future trends in the creation of jobs must also include the increasing number of location-independent, virtual jobs.

**Jobs Created or Retained - PARIS Report Jobs and Real Actual Full-Time Jobs\***



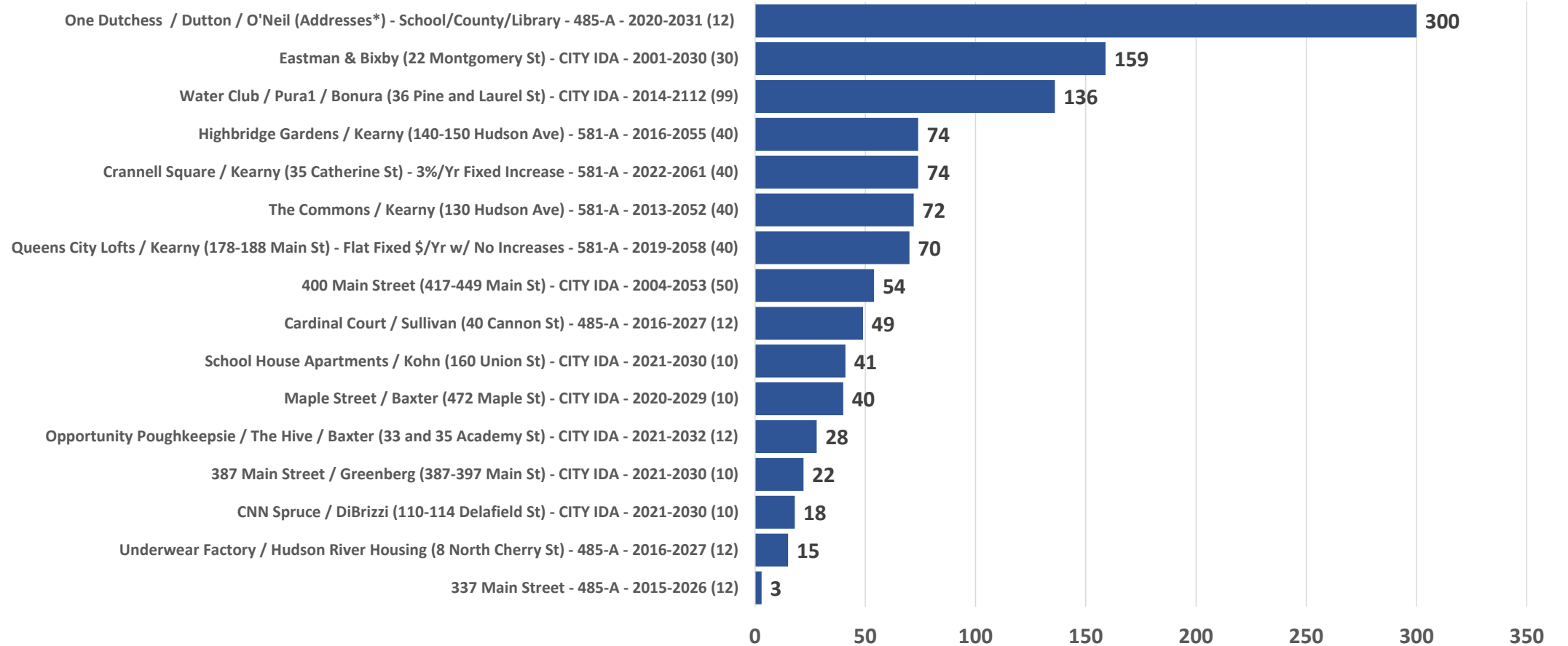
\* Based on data available for each project. All number rounded to nearest single digit.



# Tax Exempt Projects Have Added Over 1,100 Apartments

City of Poughkeepsie housing stock has increased as a result of these projects.

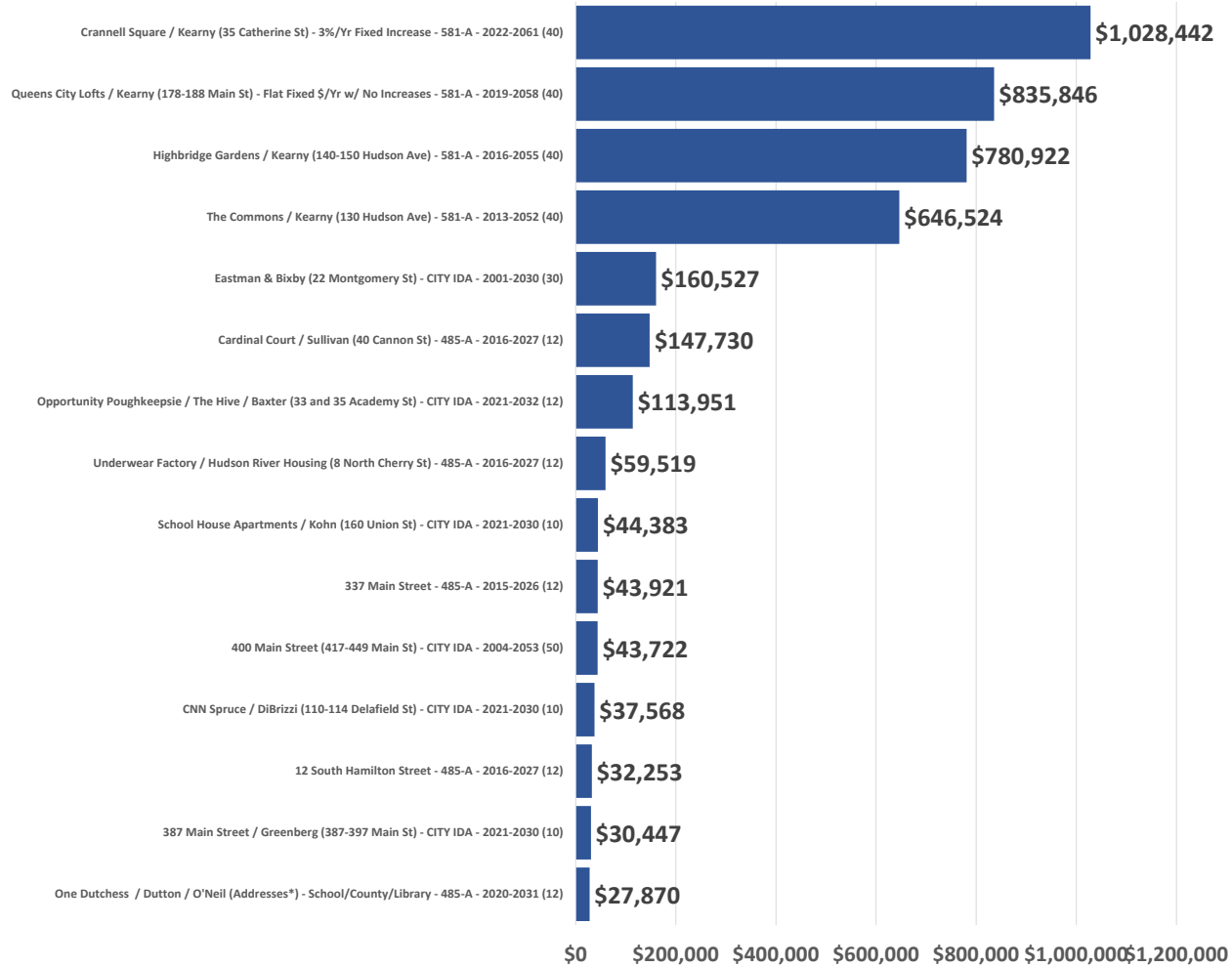
## Number of Apartment Units\*



\* Based on data available for each project – Number of Units Unknown: 400 Maple, 12 South Hamilton, and HealthQuest; Not Applicable/Non Residential: Shadows/Grandview, Grand Hotel, and Woodside Manor.

# Adding These New Apartment Units Comes at a Cost

Present Value \$Investment per Apartment Unit



Overall, the amount of tax exemption dollars invested per apartment unit has decreased significantly, however, investment per apartment for 581-A “Like” affordable housing developments remain substantially higher than for other developments. Affordable housing is very important to the City’s economic development, but 581-A “Like” exemptions are too expensive and unaffordable for the City—290 apartments for \$233M (56% of the City’s Total \$416M Investment).\* The City must find less expensive alternatives, given its large budget gaps and enormous financial burden these exemptions place on the schools. Excessive developer tax concessions force tax increases on other residents, landlords and property owners, which result in higher taxes, higher rents, and lower affordability for all other 31K residents who do not live in any of these 290 apartments. Affordable housing is critical but not at the expense and affordability of other people’s housing and businesses.

*Note:* Water Club not included in City IDA Totals \* This analysis is based on a comparison to a project paying full taxes with full assessed value of 581-A projects paying full taxes.

# The Current 581-A “Like” Approach to Affordable Housing is Unaffordable for the City

581-A tax exemptions were established to provide a percentage off housing costs for citizens at or below the median income. The four 581-A “Like” developments in the City provide this housing cost discount for those earning up to \$51,100-\$102,300 per year (affordable income levels for the County, not for the City). For the City, these developments do the opposite by providing affordable housing for residents making above the City’s median income of \$42,296 (41% of County AMI). As a result, the City invested its \$70M in Crannell Square affordable housing, paid for by City taxpayers, but for residents of the County and surrounding area, not for City of Poughkeepsie residents. Unless Crannell Square is willing to rent apartments to City residents for \$1,500/month less than the allowable rent for City residents who are at the City’s median income, Crannell Square is unaffordable housing for the City.

## 581-A Affordable Housing (Family of Four) at Median Income or Less - Crannell Square Example

Median Income = Half of people make more income and Half make less

Affordability Income Limits	Crannell Square Affordable Units		Annual Median Income Limits*		Affordable Rent (Annual)		Affordable Rent (Monthly)	
	Dutchess County	City of Poughkeepsie	Dutchess County	City of Poughkeepsie	Dutchess County	City of Poughkeepsie	Dutchess County	City of Poughkeepsie
100%	22	0	\$102,300	\$42,296	\$30,690	\$12,689	\$2,558	\$1,057
60%	44	0	\$61,380	\$25,378	\$18,414	\$7,613	\$1,535	\$634
50%	8	0	\$51,100	\$21,148	\$15,345	\$6,344	\$1,279	\$529

\* Source: HUD 2020 and US Census QuickFacts data from Hudson River Housing

Note: Affordable = 30% of Area Median Income (AMI) per Federal Government HUD Guidelines

Note: See APPENDIX F: Crannell Square Affordable Housing Agreement – In Progress (Page 36) for details on agreement.

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# Moving Forward

## Moving Forward

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- Being developer friendly is crucial, but the City must view tax exemption programs as **investments** with **balanced returns**, not only as developer incentives without consideration of cost and benefits to the City.
- Always **run the numbers** to gain a firm understanding of the costs, benefits, and returns to both taxpayers and the City—there is no magic money and no free lunch, the money has to come from somewhere.
- Support the sweet spot for **Tax Exemptions of 10-12 years**, anything longer needs to produce a large catalytic or transformative change in the City—a single small-medium sized building will not achieve this outcome.
- **Think big and strategic** not small and tactical—not just a dirt lot on the Hudson river, but grand gateway to the City; not arterials with traffic but untapped rivers of money; not problems but transformation opportunities.
- Change how we look at our city—Poughkeepsie should become *the* **Urban Center of the Mid-Hudson Valley**.
- **Value every piece of empty** land as the City’s future gold—no parcel is just a dirt lot.
- Do not fall prey to “**building anything** is better than building nothing”, the City can miss big opportunities by moving forward with less than desirable projects—the true value of anything is not always what someone will pay you today.
- Focus on creating **mixed-use/mixed-income** buildings, including affordable housing for the City of Poughkeepsie, which is critical to the City’s future, while forging an integrated, inclusive, diverse city.

**Get involved—demand accountability, transparency, and equity in the City’s investments and development by keeping in constant contact with your ward representative and monitoring the City’s key decisions**

# APPENDIX

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# APPENDIX A: Mission Statement – City of Poughkeepsie, NY IDA

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## MISSION

The mission of the City of Poughkeepsie, NY Industrial Development Agency (IDA) is to build the industrial and economic strength and resilience of the City with the intent of growing employment, jobs and city revenue. The IDA will fulfill its mission by:

- Actively promoting and encouraging the attraction, cultivation, growth and retention of city industry and business
- Awarding financial incentives to projects, including exemptions from property, sales, use and mortgage recording taxes, grants, and bond financing for projects aligned with city success

The IDA provides the following types of tax exemptions as incentives for companies to invest capital in projects in the City:

- Sales and use tax exemption
- Mortgage recording tax exemption
- Real property tax abatement
- Additional tax relief for approved voluntary public improvements

## OVERARCHING GOALS

- Improve Employment
  - Increase number of new permanent jobs
  - Increase income and wage levels
  - Retain jobs
- Attract, Grow and Accelerate Investment
  - Reward large investments
  - Provide incentives for smaller projects
  - Preserve affordable housing
  - Mitigate blight and abandoned existing structures
- Protect and Build Tax Base
  - Maximize long-term tax revenue from new development
  - Optimize near term tax revenue while minimizing developer front end cashflow risk
  - Encourage development in distressed areas of the City
  - Build density in the City core
  - Preserve historic assets

# APPENDIX B: 2019-2020 IDA Performance Goals and Review (1 of 2)

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- The Agency approved PILOTS for 4 projects in 2019/2020:

**CNN Spruce** – Mixed use project to include office space, housing and a bakery - **10 Year Pilot**

**Opportunity Poughkeepsie /The Hive** – Mixed-use adaptive reuse project to include a market, housing, brewery, and co-workspace - **12 Year PILOT**

**387-397 Main Street** – Mixed use project to include housing and retail - **10 Year PILOT**

**160 Union Street** – Market rate housing - **10 Year PILOT**

- Resolutions were passed to provide CNN Spruce, The Hive, 387-397 Main Street and 160 Union, 141 North Water Street with **sales and mortgage tax exemptions**

- These 4 projects contribute to the City of Poughkeepsie:

- **\$33 million dollars of investment**

- CNN Spruce \$8.2M
- The Hive \$12.5M
- 387-397 Main Street \$4.8M
- 160 Union Street - \$7.4M

- **50,000 square feet of new commercial space**

- CNN Spruce 16,000 square feet
- The Hive 27,000 square feet
- 387-397 Main Street 6,500 square feet

- **164,000 total square feet**

- CNN Spruce 38,000 square feet
- The Hive 58,000 square feet
- 387-397 Main Street 27,500 square feet
- 160 Union Street – 40,000 square feet

- **109 new apartments**

- CNN Spruce 18
- The Hive 28
- 387-397 Main Street 22
- 160 Union Street - 41

- **59 retained jobs**

- All CNN Spruce

- **88 new full-time jobs**

- CNN Spruce - 21
- The Hive - 60
- 387-397 Main Street – 5
- Union Street - 2

- **7 new part-time jobs**

- The Hive - 5
- 387-397 Main Street - 2

- **Average salaries above current city median income**

- CNN Spruce average \$40k/year
- The Hive average \$48k/year
- 387-397 Main Street \$58/year



## APPENDIX B: 2019-2020 IDA Performance Goals and Review (2 of 2)

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- **2 of the 4 projects located in IDA high-priority target areas** – The Hive and 387-397 Main Street
- Restructured PILOT agreement for **Eastman Bixby** project to prevent cashflow insolvency for housing of 250 low income families while reducing PILOT term 10 years, saving the City of Poughkeepsie nearly \$6 million
- **Reduced Agency debt 58%** from \$445K to \$182k
  - Negotiated a \$100k loan forgiveness
  - Paid \$158K and created a future repayment plan
- **Tightened Recapture of benefits:**
  - PILOT projects **cannot be transferred to new ownership**
  - Project construction must **commence within 18 months** of PILOT approval
  - Project must **be completed within 4 years of PILOT** approval
- **Clarified Disqualifiers:**
  - Have any outstanding **unmet obligations (financial or otherwise) to the City of Poughkeepsie**
  - Previously been **convicted of financial criminal offense**
  - Any project whose construction, reconstruction, renovation, erection, equipping or installation was **undertaken prior** to the provision of financial assistance
- **UTEP** was changed to a points-based project evaluation system with 9 categories - Term of standard PILOT schedules shortened to **10 and 15 years one 5, two 10, one 15**
- **New Application**

# APPENDIX C: Tax Exemption Project Analysis Assumptions

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## Global Assumptions

- Assessments go up 2.4%/year starting in 2020-2021 and going forward. Source: NY State Office of Tax and Finance an average of 2014-2020 data. Confirmed with The City Administrator.
- The City Administrator set the Non-homestead rate increase at 4%/year starting in 2020 or 2021 and going forward.
- To account for inflation, we assumed a rate of 2.56 pre 2020 (Source: US Federal government actuals 2000-2019, we took an average of those years. Post 2020 we assumed a rate of 1.77 (based on US Federal government actuals 2010- 2019, we took an average). Other consideration the Fed declaration that interest rates will be at 0 for the foreseeable future. In addition, economists are concerned about deflation. The City Administrator inflation recommendation number going forward was 4%.
- To put a number to the cost of capital we used two numbers. Our analysis uses as an input of 20% of all tax exemption dollars is calculated at 6% to accommodate for both borrowing costs and increase in maintenance project cost due deferred repairs at 3% plus an additional 3% not earned on investing the money. The remaining 80% of all tax exemption dollars are at 3% for the money that would have been otherwise invested at 3%. The City Administrator agrees with this number.
- Average annual rent change we used for market rate apartments pre 2020 5%/year and post 2020 we used 4% These numbers are based Dutchess County Rental Annual Survey 2019.
- Affordable housing and low income used was 1.5% pre and post 2020, that number is New York State cap.

# APPENDIX D: Tax Exemption Project Summaries & Assumptions (Page 1 of 5)

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## City of Poughkeepsie IDA PILOTS - 10 Projects (1-5)

### 1. **Woodside Manor** - 168 Academy Street - Senior Health Facility

- Projections for 6 years
- PILOT duration 25 years
- PILOT payment based on schedule with increase up to 5% for years 11-20 (year 12 is flat rate of \$100,000) and up to 7% for the last 5 years. Analysis includes growth in revenue for years 19-20 at 4% and Years 21-25 an increase of 6%
- Assessed value is \$12.6 million matches Dutchess County Parcel Mapping

### 2. **Eastman Bixby** -22 Montgomery Street - Low Income Housing

- Projections for 10 years
- The current IDA reduced this PILOT from 40 years to 30 years in exchange for a constant payment amount through the end of the PILOT
- This PILOT has a flat rate for taxes to be paid of \$140,978/year for its remaining 10 years
- Starting assessment value was triangulated using square footage of 400 Main and Assessment/ apartment for Crannell Square. We assumed a point between the two of \$18 million

### 3. **400 Main Street -417-449 Main Street** - Mixed use – Commercial first floor and Housing

- Projections for 36 years
- PILOT duration 50 years
- PILOT payment based on 6.4% of gross revenue
- Rent increased by 3.3% on average (2009-2019 actual data) and projected from 2020 forward
- Assessed value is \$7.2 million matches Dutchess County Parcel Mapping

### 4. **Grandview/Shadows** - 176 Rinaldi Boulevard / 200 Rinaldi Boulevard - Restaurant and Catering Business

- Projections for 87 years
- PILOT duration 99 years
- PILOT payment is based on 2% of gross revenue
- Gross revenue increase from 2020-2024 2%, 2025-2108 .2% Based on history and a capacity limit
- For this exercise, the assessed value used was \$12.164 million matches Dutchess County Parcel Mapping (pre-2018). Note In 2018, assessed value was reduced to \$7.321 million

### 5. **Water Club** - 36 Pine Street / Laurel Street - Market Rate Housing

- Projections for 92 years
- PILOT duration 99 years
- PILOT payment is based on 2% of gross revenue
- Gross revenue increase from 2020 to end of PILOT is 4%/year
- Assessed value is \$21 million matches Dutchess County Parcel Mapping

# APPENDIX D: Tax Exemption Project Summaries & Assumptions (Page 2 of 5)

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## City of Poughkeepsie IDA PILOTS - 10 Projects (5-10)

- 6. Maple Street** - 472 Maple Street - Market Rate Housing with 8 Affordable units for the time of PILOT
  - Projections for 9 years
  - PILOT duration 10 years
  - PILOT payment is based on a fixed schedule based on tax assessment
  - Assessed value is \$3.5 million matches Dutchess County Parcel Mapping
- 7. CNN Spruce** - 110-114 Delafield Street - Mixed Use – Office Space, Bakery and Market Rate Housing (Townhouses)
  - Projections for 10 years
  - PILOT duration 10 years
  - PILOT payment is based tax assessment
  - Assessed value is \$ 1.976 million the number from Tax Assessor in IDA PILOT Worksheet
- 8. 387 Main Street** - 387-397 Main Street - Mixed Use – Commercial on the First Floor and Market Rate Housing
  - Projections for 10 years
  - PILOT duration 10 years
  - PILOT payment is based tax assessment
  - Assessed value is \$2.003 million the number from Tax Assessor in IDA PILOT Worksheet
  - Exemption based on incremental new taxes only
- 9. Opportunity Poughkeepsie / The Hive** – 33-35 Academy Street - Mixed Use – Market Rate Housing, Brewery, Work Space, Entertainment Space
  - Projections for 12 years
  - PILOT duration 12 years
  - PILOT payment is based tax assessment
  - Assessed value is \$5.8 million the number from Tax Assessor in IDA PILOT Worksheet
- 10. 160 Union Street** - 160 Union Street - Market Rate Housing
  - Projections for 10 years
  - PILOT duration 10 years
  - PILOT payment is based tax assessment
  - Assessed value is \$4.38 million the number from Tax Assessor in IDA PILOT Worksheet
  - Exemption based on incremental new taxes only

# APPENDIX D: Tax Exemption Project Summaries & Assumptions (Page 3 of 5)

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## Dutchess County IDA City of Poughkeepsie PILOTS - 2 Projects

### 1. **The Grand Hotel** - 40 Civic Center Plaza - Restaurant, Catering Facility, Hotel, Garage

- Projections for 24 years
- PILOT duration 56 years
- PILOT payment going forward is based on \$110,000/year plus 2% of net income
- Net income increases of 2%/year to the end of the PILOT
- Assessed value is \$18.6 million per Tax Assessor

### 2. **Health Quest** - 21 Reade Place - Medical Condominium Building

- Projections for 2 years
- PILOT duration 10 years
- Assessed value is \$4.286 million which is \$24 million times occupancy rate of apartments (17.86%) – (PILOT payment going forward is based on tax assessment provided by Dutchess County IDA)

# APPENDIX D: Tax Exemption Project Summaries & Assumptions (Page 4 of 5)

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## Common Council 581—A “Like” - 4 Projects

- 1. Highbridge Gardens - 140-150 Hudson Avenue – Affordable Housing**
  - Projections for 36 years
  - PILOT duration 40 years
  - PILOT payment is based on fixed number/apartment (\$743/apartment \* 74 apartments)
  - Assessed value is \$8.664 million matches Dutchess County Parcel Mapping/Tax Assessor
  - Rent increases 1.5%/year
- 2. The Commons- 130 Hudson Avenue – Affordable Housing**
  - Projections for 21 years
  - PILOT duration 40 years
  - PILOT payment is based on fixed number/apartment (\$625/apartment \* 72 apartments)
  - Assessed value is \$7.074 million matches Dutchess County Parcel Mapping/Tax Assessor
  - Rent increases 1.5%/year
- 3. Queen City Lofts - 178 Main Street - Mixed Use – Bar, Gym, Affordable Housing**
  - Projections for 39 years
  - PILOT duration 40 years
  - PILOT payment is flat \$80,000/year No rent increases allowed to impact taxes paid
  - Assessed value is \$7.546 million Assessor has \$5million analysis scaled value up based on apartments/other Kearney projects)
  - 70 Apartments
- 4. Crannell Square – 35 Crannell Street (Catherine and Mill Street) – Affordable Housing**
  - Projections for 40 years
  - PILOT duration 40 years
  - PILOT payment is \$100,000 plus 3% increase/year
  - Assessed value is \$ 7.438 million Assessor has \$325,000 analysis scaled value up based on Kearney previous projects.
  - 74 Apartments

# APPENDIX D: Tax Exemption Project Summaries & Assumptions (Page 5 of 5)

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## Common Council 485—A - 4 Projects

1. **Cardinal Court** - 40 Cannon Street - Mixed Use – Wine Bar, Brewery, Coffee Shop, Affordable-Low Income Housing 20%
  - **12 Year PILOT** Based on Tax Assessment
  - Granted **Sales Tax Exemption** by the County that expired in 2018
2. **Underwear Factory** - 8 North Cherry Street - Mixes Use – Coffee Shop, Video Center, Affordable Housing
  - 8 North Cherry Street
  - **12 Year PILOT** Based on Tax Assessment
3. **337 Main Street** - 337 Main Street - Mixed Use – Commercial on the First Floor with Market Rate Housing
  - 337 Main Street
  - **12 Year PILOT** Based on Tax Assessment
4. **400 Maple Street** - 400 Maple Street - Commercial on the First Floor, Low Income Housing
  - 400 Maple Street
  - **12 Year PILOT** Based on Tax Assessment
5. **12 South Hamilton Street** - 12 South Hamilton Street – Mixed Used
  - **12 Year PILOT** Based on Tax Assessment
6. **One Dutchess (School and County Only)** - Market Rate Housing - 5 Longreach Road \*, 20 Dutchess Landing\*, 30 Dutchess Landing\*, 10 Dutton Lane, 40 Dutchess Landing, 50 Dutchess Landing, 25 Shipyard Landing, 15 Finn Landing
  - Have School, County, and Library Tax Exemption Only

\*Have Certificate of Occupancy

# APPENDIX E: Tax Exemption Statutes - 581-A Statute (1 of 4)

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## Section 581-A

### Assessment of residential real property

Notwithstanding any other provision of law, the assessed valuation of real property used for residential rental purposes where at least twenty percent of the residential units are subject to an agreement with a municipality, the state, the federal government, or an instrumentality thereof, which agreement restricts occupancy of those units to tenants who qualify in accordance with an income test, shall be determined using the income approach as applied to the actual net operating income, after deducting for reserves required by any federal, state or municipal programs. For the purposes of this section "net operating income" shall mean the actual or anticipated net income that remains after all operating expenses are deducted from effective gross income, but before mortgage debt service and book depreciation are deducted. The assessed valuation of real property used for such residential rental purposes shall be determined using the actual net operating income, and shall not include federal, state or municipal income tax credits, subsidized mortgage financing, or project grants, where such subsidies are used to offset the project development cost in order to provide for lower initial rents as determined by regulations promulgated by the division of housing and community renewal.



# APPENDIX E: Tax Exemption Statutes - Tax Exemption Statutes - 485-A Statute (2 of 4)

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## Section 485-A Residential-commercial urban exemption program

### Real Property Tax (RPT)

1. Definitions. As used in this section, the following terms shall have the following meanings:

- (a) "Municipality" means any town, city or village except for a city having more than one million inhabitants.
- (b) "Applicant" means any person obligated to pay real property taxes on the property for which an exemption from real property taxes under this section is sought.
- (c) "Commercial construction work" means the modernization, rehabilitation, expansion or other improvement of the portion of mixed-use property to be used for commercial purposes.
- (d) "Commercial purpose or use" means the buying, selling or otherwise providing of goods or services, including hotel services, or other lawful business or commercial activities permitted in mixed-use property.
- (e) "Mixed-use property" means property on which will exist, after completion of residential construction work or a combination of residential construction work and commercial construction work, a building or structure used for both residential and commercial purposes.
- (f) "Person" means an individual, corporation, limited liability company, partnership, association, agency, trust, estate, foreign or domestic government or subdivision thereof, or other entity.
- (g) "Residential construction work" means the creation, modernization, rehabilitation, expansion or other improvement of dwelling units, other than dwelling units in a hotel, in the portion of mixed-use property to be used for residential purposes.

2. Any municipality may, by local law, provide for the exemption of real property from taxation as provided in this section. Upon the adoption of such a local law, the county in which such municipality is located may, by local law, and any school district, all or part of which is located in such municipality, may, by resolution, exempt such property from its taxation in the same manner and to the same extent as such municipality has done.

# APPENDIX E: Tax Exemption Statutes - Tax Exemption Statutes - 485-A Statute (3 of 4)

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## Section 485-A Residential-commercial urban exemption program

### Real Property Tax (RPT)

3. Upon the adoption of such a local law, non-residential real property, upon conversion to mixed-use property, shall be exempt from taxation and special ad valorem levies as provided for in subdivision four of this section.

4. (a) (i) For a period of twelve years from the approval of an application, the increase in assessed value of such property attributable to such conversion shall be exempt as provided in subparagraph (ii) of this paragraph. Such exemption shall be computed with respect to the "exemption base". The exemption base shall be determined for each year in which there is an increase in assessed value so attributable from that of the previous year's assessed value.

(ii) The following table shall illustrate the computation of the tax exemption:

Year of exemption	Percentage of exemption
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1 through 8	100% of exemption base
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9	80% of exemption base
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10	60% of exemption base
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11	40% of exemption base
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12	20% of exemption base
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# APPENDIX E: 485-A Statute (4 of 4)

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## Section 485-A Residential-commercial urban exemption program

### Real Property Tax (RPT)

(b) No such exemption shall be granted unless

(i) such conversion was commenced subsequent to the date on which the municipality's local law took effect; and

(ii) the cost of such conversion exceeds the sum of ten thousand dollars or such greater amount as may be specified by local law.

(c) For purposes of this section the term conversion shall not include ordinary maintenance and repairs.

(d) No such exemption shall be granted concurrent with or subsequent to any other real property tax exemption granted to the same improvements to real property, except, where during the period of such previous exemption, payments in lieu of taxes or other payments were made to the local government in an amount that would have been equal to or greater than the amount of real property taxes that would have been paid on such improvements had such property been granted an exemption pursuant to this section. In such case, an exemption shall be granted for a number of years equal to the twelve year exemption granted pursuant to this section less the number of years the property would have been previously exempt from real property taxes.

5. Such exemption shall be granted only upon application by the owner of such real property on a form prescribed by the commissioner. Such application shall be filed with the assessor of the municipality or county having the power to assess property for taxation on or before the appropriate taxable status date of such municipality or county.

6. If the assessor is satisfied that the applicant is entitled to an exemption pursuant to this section, he or she shall approve the application and such real property shall thereafter be exempt from taxation and special ad valorem levies as in this section provided commencing with the assessment roll prepared after the taxable status date referred to in subdivision five of this section. The assessed value of any exemption granted pursuant to this section shall be entered by the assessor on the assessment roll with the taxable property, with the amount of the exemption shown in a separate column.

# APPENDIX F: Crannell Square Affordable Housing Agreement – In Progress

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## EXHIBIT B

Project Plan: Crannell Square

Property: 35 Catherine Street

8 Units of residential rental low income housing, meeting the income limits in accordance with HCR regulations applicable for low income housing tax credit and housing trust fund projects, not exceeding 50% of applicable median income.

44 Units of residential rental low income housing, meeting the income limits in accordance with HCR regulations applicable for low income housing tax credit and housing trust fund projects, not exceeding 60% of applicable median income.

22 Units of residential rental low income housing, meeting the income limits in accordance with HCR regulations applicable for low income housing tax credit and housing trust fund projects, not exceeding 100% of applicable median income.

1 unit is a superintendent's unit.

Rents will be limited to 30% of the percentage of the applicable median income limit specified by HCR in accordance with federal Low Income Housing Tax Credit ("LIHTC") program requirements. Income and Rent limits will be applicable for the 40-year term of the PILOT Agreement in accordance with the LIHTC regulatory agreement.